

RECEIVED

NOV 1 1993

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

Reform of the Interstate Access)
Charge Rules)

RM-8356

COMMENTS OF THE
NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

The National Telephone Cooperative Association ("NTCA") submits these Comments regarding the Petition for Rulemaking filed by the United States Telephone Association ("USTA") on September 17, 1993. By the Public Notice, Report No. 1975, released on October 1, 1993, the Commission is seeking comments from interested parties. USTA is asking the Commission to reform the existing interstate access charge plan to bring the plan into alignment with current industry changes and conditions. NTCA is a national association of approximately 500 small local exchange carriers ("LECs") providing telecommunications services to subscribers and IXCs throughout rural America. NTCA agrees with USTA that changes in the industry make some reforms necessary which should be considered in earnest by the Commission in a comprehensive proceeding.

I. A COMPREHENSIVE PROCEEDING IS NEEDED.

NTCA fully recognizes that significant changes have occurred in the industry since the access plan was designed and put into rules. A transformation is well underway to an industry characterized by competition where the new entrants enjoy

No. of Copies rec'd 195
List ABCDE

CCB

advantages and are not required to serve the same traditional common carrier, Universal Service responsibilities as the incumbents. NTCA and its member LECs remain deeply concerned that this transformation is not taking into account the needs of the existing LECs and rural subscribers. LECs are not allowed to participate equally in this new competitive marketplace which harms both the LECs and their remaining customers. At risk during this change are reasonably priced residential services to all and reasonably averaged rates for all services.

The Commission's job during this transformation is a complex and demanding one. The expanded interconnection initiatives make it incumbent on the Commission to determine how these changes can be introduced in a manner that will lead to real benefits to consumers as the result of competition and can be made without harm to the Universal Service goals the citizens of this country have learned to expect. The reconciliation of these profoundly competing goals will require a major effort by the entire industry and will require cooperation among a wide variety of network participants many of which are not known for their commitment to Universal Service.

The record, to date, has not resolved how the competing goals are to be accommodated. The Commission has moved forward with expanded interconnection without explaining the necessary plan. As such, the USTA Petition is just another example of the expression of this need to put the entire industry and rules into proper perspective.

The current piecemeal approach to examining the connected issues, reaching individual decisions, and implementing the transition to further access competition in isolated steps does not allow for a comprehensive examination of all the issues and resulting consequences. NTCA has commented previously on several occasions about the real threat these decisions could pose to the maintenance of Universal Service if they do not include the simultaneous adoption of integrated provisions to address these threats in a far-reaching comprehensive plan.¹ The need to combine the current disjointed proceedings into one cohesive examination is heightened by the potentially much greater market impact that upcoming competition for switched telecommunications poses.

NTCA may have differences of opinion with other parties over the solutions to upcoming challenges as we move forward. However, what is needed is a more informed and concrete framework for discussion, a more comprehensive consideration of these issues, and a more integrated plan to accommodate the conflicting goals and preserve the already carefully-crafted provisions in

¹ See generally, Comments of NTCA filed on January 14, 1993, and Reply Comments filed on February 19, 1993, both in CC Docket No. 91-141, Phase I; Comments of NTCA filed on April 2, 1993, and Reply Comments filed on April 30, 1993, both in CC Docket No. 91-141, Phase II; and Comments of NTCA filed on February 1, 1993, and Reply Comments filed on March 19, 1993, both in CC Docket No. 91-213. See, also, Comments of NTCA filed September 2, 1993, regarding the National Association of Regulatory Utility Commissioner's Request for a Notice of Inquiry Concerning Access Issues; and Comments of NTCA filed on September 23, 1993, discussing the Commission's Staff Analysis on Federal Perspectives on Access Charge Reform.

effect today. As such, the USTA proposal represents a good starting point. However, for the examination to be truly comprehensive, as NTCA believes is necessary to examine these issues thoroughly, the jurisdictional separations rules must also be evaluated jointly. Substantive changes in access rates in a changing competitive market cannot be achieved if the jurisdictionally allocated costs to be recovered via these rates remain rigidly unaltered. In other words, the access plan is inextricably tied to the cost separations rules result.

Moreover, NTCA does not favor separations rules' changes in isolation from the necessary balancing with the access plan and new competitive market structure. Separations rules should be viewed as just another provision of an otherwise comprehensive plan which must achieve the accommodation of a wide array of goals. As such, any revision to the separations rules must be examined jointly with access plan rules' changes because it is the combined result that determines whether the proper market solution has been obtained. For example, announced proceedings looking into changes in some of the current explicit provisions of the separations rules such as the Universal Service Fund and local switching cost allocation should not proceed on separate tracks from rule changes in the access charge plan which translates the results into rates.

The Commission should use the USTA proposal, with the added emphasis suggested by NTCA, as a much needed step back to evaluate more thoroughly the consequences of its policy direction

prior to taking any additional steps. The completion of a comprehensive review should be a prerequisite to the implementation of switched access expanded interconnection and any changes in the jurisdictional cost allocation rules.

II. THE ACCESS RESTRUCTURE EXAMINATION MUST RECONCILE MANY ISSUES CURRENTLY LEFT UNRESOLVED.

As NTCA has commented in the related proceedings, the Commission's actions to date have overemphasized the potential benefits of competition to high-volume customers in low-cost service areas. The record has been short on substantive measures designed to preserve the benefits of the current plan or to maintain Universal Service.

NTCA understands that rigidly-prescribed cost allocation and pricing rules based on arbitrary cost allocation results are counter-productive in competitive markets. Even for those LECs most concerned with preserving Universal Service goals, rigid rules hinder their efforts. NTCA is sympathetic to the larger LECs' concerns that these rules deprive them from participating in the competitive access market. However, while rate flexibility both in terms of structure and price is a goal, it should not come at the expense of widely disparate access rates between high-volume, low-cost areas and low-volume, high-cost areas.

Not only is access rate disparity a concern which must be addressed, but the Commission must still determine how a fully competitive industry will act on its own to maintain geographically averaged long distance rates. As competitors seek

to price services according to targeted-market costs, perhaps based on widely different local prices for access to local networks, fully deaveraged long distance prices would seem to be the inescapable result. While the Commission has stated its commitment to geographically averaged long distance rates, specific rules and measures have not been designed or enacted to assure this to be the case. This proceeding should fill this purpose.

The cost allocation and pricing schemes that flow from a competitive model will be hostile to the cost recovery necessary to maintain network infrastructure development in rural, high-cost, low volume areas. As competitive pricing puts pressure on cost recovery in terms of forcing prices to levels that do not fully recover costs of rural local networks or as competitors target only high-volume customers located in high-cost areas, rural telcos will face increasingly higher risks of not being able to recover the cost of maintaining a quality local network. The natural alternatives are all unacceptable; either a lower quality of service will have to be tolerated, or services will be priced at much higher rates, or there will not be service at all. The Commission should address how infrastructure development will be served in the resulting plan.

Finally, if there is to remain a basic, last-resort, public switched network to form the backbone for our Universal Service ideals, then there must be coordination and compatibility among those LECs that serve this purpose. Battling competitors cannot

and will not work together to maintain a single, integrated network plan. Larger LECs' reaction to competition with innovative service designs and pricing plans will make it increasingly more difficult to maintain the last-resort, jointly provided network. A level of compatibility, but not absolute uniformity, is necessary among LECs. Customers will need last resort service on an end-to-end basis requiring network coordination. Equally, LECs must continue to be able to provide local and access services jointly to take advantages of each LEC's capabilities. Compatibility is necessary for service definition and provision. Finally, last resort infrastructure development requires jointly planned facilities and services.

III. CONCLUSION

The USTA Petition provides the Commission with a substantive framework to begin the necessary examination into prudent changes in the access charge plan. This is an immense task and will require delicate and difficult balancing of conflicting objectives. It is time for there to be work on the necessary provisions to preserve the Universal Service objectives long recognized by the current plan to be balanced against recent decisions that are designed primarily to promote competition and new competitors. As these comments suggest, there are a number of provisions that will be needed in the plan to address the necessary market conditions for rural, low-volume, high-cost areas. The Commission should slow its competition initiatives and allow time to develop the concurrent, counterbalancing provisions necessary for Universal Service and the adoption of an integrated, prudent, and comprehensive plan.

Respectfully submitted,

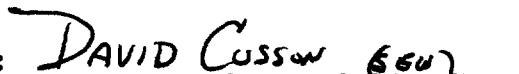
NATIONAL TELEPHONE COOPERATIVE
ASSOCIATION

By:



Steven E. Watkins
Sr. Industry Specialist
(202) 298-2333

By:



David Cosson
(202) 298-2326

Its Attorney

2626 Pennsylvania Avenue, N.W.
Washington, D.C. 20037

November 1, 1993

CERTIFICATE OF SERVICE

I, Gail C. Malloy, certify that a copy of the foregoing Comments of the National Telephone Cooperative Association in RM-8356 was served on this 1st day of November 1993, by first-class, U.S. Mail, postage prepaid, to the following persons on the attached list:



Gail C. Malloy

Martin T. McCue, Esq.
Linda Kent, Esq.
USTA
900 19th Street, N.W.
Suite 800
Washington, D.C. 20006-2105

International Transcription Service
2100 M Street, N.W.
Suite 140
Washington, D.C. 20037

Chairman James H. Quello
Federal Communications Commission
1919 M Street, N.W., Room 802-0106
Washington, D.C. 20554

Commissioner Andrew C. Barrett
Federal Communications Commission
1919 M Street, N.W., Room 826-0103
Washington, D.C. 20554

Commissioner Ervin S. Duggan
Federal Communications Commission
1919 M Street, N.W., Room 832-0104
Washington, D.C. 20554

Mr. Kent Nilsson
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W., Room 544-1600G
Washington, D.C. 20554

Downtown Copy Center
1114 21st Street, N.W.
Suite 140
Washington, D.C. 20036